

# SENATE BILL REPORT

## SB 6180

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As Passed Senate, February 17, 2014

**Title:** An act relating to consolidating designated forest lands and open space timber lands for ease of administration.

**Brief Description:** Consolidating designated forest lands and open space timber lands for ease of administration.

**Sponsors:** Senators Braun, Holmquist Newbry, Padden, Sheldon, Brown, Schoesler, Rivers and Parlette.

**Brief History:**

**Committee Activity:** Natural Resources & Parks: 1/23/14, 1/30/14 [DP-WM].

Ways & Means: 2/05/14, 2/06/14 [DP, DNP, w/oRec].

Passed Senate: 2/17/14, 35-13.

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### SENATE COMMITTEE ON NATURAL RESOURCES & PARKS

**Majority Report:** Do pass and be referred to Committee on Ways & Means.

Signed by Senators Pearson, Chair; Liias, Ranking Member; Dansel, Hargrove, Hewitt, Kline and Parlette.

**Staff:** Curt Gavigan (786-7437)

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### SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** Do pass.

Signed by Senators Hill, Chair; Honeyford, Capital Budget Chair; Hargrove, Ranking Member; Ranker, Assistant Ranking Member on the Operating Budget; Bailey, Becker, Billig, Braun, Dammeier, Frockt, Hatfield, Padden, Parlette, Schoesler and Tom.

**Minority Report:** Do not pass.

Signed by Senators Fraser and Hasegawa.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Keiser, Assistant Ranking Member on the Capital Budget; Conway.

**Staff:** Dean Carlson (786-7305)

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Background:** All property is subject to the property tax each year based on the property's market value unless a specific exemption is provided by law. The state Constitution authorizes agricultural, timber, and open space lands to be valued on the basis of their current use rather than fair market value. The Legislature enacted the designated forest land program and the open space program under this constitutional authority.

Forest Land Program. To qualify for current use valuation under the designated forest land program, lands must total 20 or more acres used primarily for growing and harvesting timber. Limited incidental activities are allowed along with timber-related buildings, machinery, and other personal property. The application for forest land designation is processed by the assessor, who may require submission of a timber management plan at that time.

The valuation of designated forest land is set by statute, and updated annually by the Department of Revenue based on the value of the bare land for growing and harvesting timber. The value of standing timber is exempt from property tax and harvested timber is instead subject to a separate excise tax.

Upon removal from this designation, the land must be revalued to fair market value as of January 1 of the year of removal. In general, land that is removed is subject to a compensating tax equal to the tax benefit received in the most recent year multiplied by the number of years the land was designated, not to exceed nine.

Open Space Program. The open space program includes three different classifications: farm and agricultural land; timber land – open space timber; and open space land.

To qualify for current use valuation under the open space timber program, lands must total five or more acres used primarily for growing and harvesting timber for commercial purposes. As with designated forest land, limited incidental activities and timber-related buildings and personal property are allowed. An owner desiring current use classification under the open space timber program must apply to the county legislative authority. The elements of the application constitute a timber management plan under the statute.

Open space timber land is valued in the same manner as designated forest lands. In general, land classified under the open space programs must remain under the program for at least ten years following initial classification. Additionally, an owner must notify the assessor two years prior to having the land withdrawn. A withdrawal generally triggers the requirement to pay an additional tax equal to the difference between the tax paid based on current use and the tax that would have otherwise been paid over the last seven years.

**Summary of Bill:** A county legislative authority may, at its option, merge the county's open space timber program into its designated forest land program by ordinance. Upon merger of the programs, any land classified as open space timber is deemed designated forest land. Additionally, the date that property was classified as open space timber before the merger, is considered to be the date of designation under the forest land program. The county must notify open space timber landowners of the merger, as well as the Department of Revenue.

The removal of land from an open space timber land program as a result of a merger does not trigger the requirement to pay additional tax. If an owner of open space timber land provided

notice of withdrawal prior to merger, the land is removed as designated forest land once the two-year notice period has been completed.

The minimum size requirement for land to be designated as forest land is reduced from 20 acres to five acres, which applies generally to the designated forest land program regardless of whether a county merges the two programs. An assessor may require a timber management plan if the assessor has reason to believe that forest land of less than 20 acres is no longer being used for forest land purposes.

Corresponding changes are made to several statutes, as are a number of technical changes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony (Natural Resources & Parks):** PRO: This bill helps rural counties make their offices more efficient and provide greater public services. Moreover, the bill allows larger counties to opt out of the program should they choose to do so. The costs associated with the bill are minimal. The bill would facilitate increased participation in this program and simplify the process for the public. Furthermore, this bill would allow the assessor's offices to bypass some of the existing costs that flow from operating two similar programs.

CON: Open space and public forests were originally purposed for public benefit. Counties and governments are beginning to diverge from that original purpose. This bill needs to increase transparency for the public, such as including language that facilitates public testimony before the county commissions make a decision.

**Persons Testifying (Natural Resources & Parks):** PRO: Senator Braun, prime sponsor; Dianne Dorey, Lewis County Assessor; Bruce Walker, Pacific County Assessor.

CON: Ed Bowen, citizen.

**Staff Summary of Public Testimony (Ways & Means):** PRO: We are trying to make our office more efficient. This program has been existence for over 20 years. We want to make sure the taxpayers do not have an administrative burden when they have the same tax consequences. This helps when acreage is given to family members and saves people from having to go the county commissioners. The tax implications are virtually the same between the two programs. This save a lot of administrative burden for the county and the taxpayers.

**Persons Testifying (Ways & Means):** PRO: Dianne Dorey, Lewis County Assessor; Bruce Walker, Pacific County Assessor; John Ehrenreich, WA Forest Protection Assn.